

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Authorization, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2007.

Application 05-12-002
(Filed December 2, 2005)

Order Instituting Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Service and Facilities of Pacific Gas and Electric Company.

Investigation 06-03-003
(Filed March 2, 2006)

**ADMINISTRATIVE LAW JUDGE'S RULING
DENYING THE DIVISION OF RATEPAYER ADVOCATES' MOTION FOR
PACIFIC GAS AND ELECTRIC COMPANY TO SHOW CAUSE AS TO WHY IT
SHOULD BE PERMITTED TO DEVIATE FROM THE RATE CASE PLAN**

1. Summary

This Ruling denies the *Motion of the Division of Ratepayer Advocates' for an Order to Show Cause Why Pacific Gas and Electric Company Should Be Permitted to Deviate from the Rate Case Plan and Submit New Testimony in PG&E-16.*

2. Background

Decision (D.) 89-01-040 established the Rate Case Plan (RCP) for processing General Rate Cases (GRCs).¹ On December 2, 2005, Pacific Gas and Electric Company (PG&E) filed GRC Application (A.) 05-02-002 and associated

¹ 30 CPUC 2d 576.

testimony and workpapers. On March 7, 2006, PG&E submitted a document titled *Exhibit PG&E-16, Errata to December 2, 2005, GRC Filing* (referred to hereafter as “PG&E-16”).

On March 22, 2006, DRA filed a motion in which DRA asserts that PG&E-16 makes substantial changes to PG&E’s GRC application and associated testimony. DRA argues that the RCP prohibits substantive changes contained in PG&E-16, and that PG&E should be ordered to show cause as to why the changes should be permitted. Absent such a showing, DRA recommends that the substantive changes be barred from the proceeding.

On April 3, 2006, PG&E filed a response to DRA’s motion. In general, PG&E argues that PG&E-16 corrects errors in A.05-12-002, and does not make substantive changes to A.05-12-002 as DRA alleges.

2. DRA’s Motion and PG&E’s Response

A. Property Taxes

i. DRA’s Motion

PG&E-16 increases the amount of forecasted property taxes requested by PG&E in A.05-12-002 by \$12 million. DRA notes that the RCP prohibits “bulk or major updating amendments” to GRC applications.² DRA contends that PG&E’s attempt to increase its forecasted property taxes by \$12 million is exactly the sort of “bulk or major updating amendment” that is prohibited by the RCP.

ii. PG&E’s Response

PG&E responds that PG&E-16 corrects two errors regarding PG&E’s forecast of property taxes. First, PG&E’s testimony and workpapers indicate that

² 30 CPUC 2d 576, 602.

PG&E intended to use the fiscal year 2005/2006 to forecast its property taxes. However, rather than using the data contained in PG&E's workpapers regarding tax assessments applying to the 2005/2006 fiscal year, PG&E erroneously used data for the 2004/2005 fiscal year. PG&E states that this mistake accounts for the majority of the property tax dollar amounts in error.

The second error involved PG&E's failure to apply an escalation factor to property tax rates in all future years covered by the GRC application. Specifically, to forecast property tax rates, PG&E intended to multiply recorded property tax rates by an annual escalation factor. However, rather than applying the "adder" cumulatively to all future years, the adder was applied only to the single fiscal year of 2005/2006. PG&E states that the escalation factor must be applied to the years after 2005/2006 in order to correctly compute the property tax rates for these later years.

B. Administrative and General (A&G) Expenses

i. DRA's Motion

PG&E-16 moves \$10.6 million of A&G expenses to the Public Purpose Programs (PPP) Costs Unbundled Cost Category (UCC) from the PPP Administration UCC. DRA argues that the RCP does not allow a utility to reallocate expenses after its GRC application is filed.

ii. PG&E's Response

PG&E responds that when it filed A.05-12-002, PG&E believed that the employee benefit "burdens" that are added to labor costs by PG&E's accounting system were being recovered in the balancing accounts associated with the PPPs. In practice, however, employee benefits are erroneously removed from PG&E's labor costs before they are recorded in the various PPP balancing accounts for recovery. PG&E discovered this error during the discovery process (DRA Data

Request 130, Question 3). While there is no change in the total A&G costs presented in A.05-12-002, PG&E states that it needs to provide for recovery of the employee benefits related to the PPPs. PG&E has done so by assigning these labor benefits to the proper PPP UCC.

C. Fossil Decommission Reserve Balance

i. DRA's Motion

PG&E-16 lowers PG&E's forecast of the fossil decommissioning reserve to \$168 million from \$170 million, which increases rate base and the associated revenue requirement. DRA asserts that the RCP does not permit a utility to revise its estimating methodology after its GRC application is filed.

ii. PG&E's Response

PG&E responds that DRA has mistakenly conflated two errata. The first erratum corrects Chapter 1 of Exhibit PG&E-3 to be consistent with the generation revenue requirement in Chapter 12 of Exhibit PG&E-3.

The second erratum consists of two corrections to PG&E's fossil decommissioning estimate in Chapter 9 of Exhibit PG&E-3. First, PG&E used the wrong fossil plant balance to calculate the decommissioning reserve in A.05-12-002. Second, PG&E revised the fossil decommissioning estimate in Chapter 9 to reflect the workpapers to Chapter 5 of Exhibit PG&E-3. Chapters 1 and 2 were also revised to reflect the changes in Chapter 9. PG&E states that these corrections do not constitute a change in estimating methodology as DRA asserts, but the replacement of incorrect numbers with the correct ones.

3. Ruling

DRA challenges three portions of PG&E-16: (1) the revised calculation of property tax expense; (2) the revised allocation of A&G costs; and (3) the revised fossil decommissioning reserve balance. PG&E has demonstrated that all of

these revisions constitute corrections of errors, not updates to PG&E's GRC application. Correcting errors does not constitute the "bulk or major updating amendments" precluded by the RCP. Followed to its logical conclusion, DRA's argument that PG&E should be barred from correcting these errors would require parties to continue to litigate, and witnesses to swear to, information that the parties and the witnesses know to be inaccurate.

Furthermore, correcting these errors does not substantively change PG&E's GRC application. While the corrections appear, at first glance, to increase PG&E's 2007 test-year forecast of expenses and rate base, PG&E represents that the corrections do not, in fact, increase PG&E's overall request in A.05-12-002 for a revenue requirement increase of \$849 million.³

For the preceding reasons, DRA's motion is denied.

Therefore, **IT IS RULED** that the *Motion of the Division of Ratepayer Advocates' for an Order to Show Cause Why Pacific Gas and Electric Company Should Be Permitted to Deviate from the Rate Case Plan and Submit New Testimony in PG&E-16* is denied.

Dated April 17, 2006, at San Francisco, California.

/s/ TIMOTHY KENNEY

Timothy Kenney
Administrative Law Judge

³ PG&E Response, p. 1.

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Denying the Division of Ratepayer Advocates' Motion for Pacific Gas and Electric Company to Show Cause as to Why it Should Be Permitted to Deviate From the Rate Case Plan on all parties of record in this proceeding or their attorneys of record.

Dated April 17, 2006, at San Francisco, California.

/s/ FANNIE SID

Fannie Sid

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.